Introduction to Symposium on

Public Administration and Governance in a Time of Global Economic Turbulence: Searching for New Paradigms

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Almost every country in the global village is suffering from the economic downturn that began with the American financial crisis of 2008. As many specialists confess, existing social science theories can hardly diagnose or prescribe solutions for today's economic crash (Rubin 2009; *Economist* 2009). Without appropriate uniform theoretical models or policy tools, each country has been struggling to find its own solutions to the crisis through trial and error. Only after emerging from the depths of the crisis might it be possible to review these efforts and theorize about them.

It was in this context that an international conference was held by the Korea Institute of Public Administration (KIPA) in Seoul on October 9, 2009.[1] The conference aimed to give participants an opportunity to discuss and learn from each other about a number of issues: the characteristics of the current economic crisis in Korea and its major partners, including China, the European Union, Japan, Taiwan, and the United States; ways to overcome the crisis; and the most relevant paradigms of public administration and governance to be institutionalized in the future. More specific questions for the panelists included the following:

- In the current global economic crisis, triggered by the American financial crisis, what are the causes and features of the socioeconomic crisis and the difficulties that your country now faces?
- What efforts are government and public administration in your country making to overcome the crisis?

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* Professor of Public Administration, Seoul National University. As editor of this special symposium, I would like to express sincere thanks to the Korea Institute of Public Administration (KIPA) for ratifying the publication of the conference papers, and to the Editors of the *KJPS* for offering the space for the symposium.

1. The KIPA (http://www.kipa.re.kr/) is the only national think-tank in the public administration and governance field in Korea under the National Research Council for Economics, Humanities and Social Sciences. The international conference ("Public Administration and Governance in a Time of Global Economic Turbulence: Searching for New Paradigms") was organized to commemorate the 18th anniversary of the foundation of the KIPA.

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- What paradigms of governance and public administration will be institutionalized during the process of overcoming the crisis and thereafter?

This special symposium of the *Korean Journal of Policy Studies* (KJPS) presents the conference papers after they were revised substantially based on the panel discussions and anonymous referees' comments. B. Guy Peters and Jon Pierre provide an overview focusing on the Western countries. Then, six case studies focusing on five countries are presented by B. Guy Peters (United States), Stephen Wilks (United Kingdom), Changzheng Dai and Xuan Qiao (China), Jemma Kim (Japan), Jae-ho Eun (Korea), and Huck-ju Kwon and colleagues (Korea). Finally, Mei-hua Cheng and Chyung-en Wu offer a broader and more fundamental critique of modern Western ideas on public administration and governance and provide an alternative approach based on traditional Asian thought.

The purpose of this symposium is to provide a wide range of readers with comparative experiences and insights on public policies and governance systems in a time of global economic recession. As editor of the symposium, I hope the purpose is achieved fully enough to inspire readers to further discussions on the wide variety of issues raised in the articles.

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Economic Crisis, Public Administration, and Governance*

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Abstract: The global financial crisis that began in 2008 has had a significant impact on public administration in most countries in the world. This paper explores several dichotomies in which each of two opposing approaches to public management are frequently advocated and may be appropriate in different circumstances: path dependence (adhering to existing policies or changing course), centralization or decentralization, politicization (reliance on political appointees or the permanent bureaucracy), coordination and coherence or retention of power by individual ministries or agencies, and time perspective (the search for quick relief or long-term solutions). The crisis has disrupted the stability of public administration in many countries. At the same time, it has facilitated policy and institutional changes that otherwise might not have been possible to implement. Different countries, experiencing the current economic crisis in different ways, have chosen different options within these dichotomies, with varying levels of success.

Keywords: Financial crisis, governance, public administration, path dependency

The current economic crisis is a major phenomenon affecting all countries and most citizens. The economic world in 2010 is vastly different than it was two years (or even one year) ago, and the reshaping of the economy is likely to persist for years or even decades.

The economic positions of most countries have been altered dramatically; their patterns of governance have changed perhaps as much, although those changes may not

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be as immediately visible. Further, the civil service and the permanent, professional components of the governance apparatus are now placed in somewhat different positions relative to other actors within the state and relative to the private sector. This paper discusses some of the ways that the financial crisis has affected governance, particularly public administration. The final outcome of the crisis is impossible to predict, and in any case an in-depth analysis of these issues is impossible in a single article. While there are a number of intriguing questions to ask about cross-national differences in the extent of the crisis and the role of political institutions in addressing that crisis, they are touched on only briefly toward the end of the paper.

In thinking about the changing role of the state in governance after the economic crisis, it is important to remember that most states were implicated to some degree in those economic problems. Large numbers of governance failures contributed to the crisis. At perhaps the most basic level, many governments did not even know what was happening in their banking sectors or in the economy more generally. Even when governments were aware of the level of debt or the level of risk being accepted within their banking sectors, the regulatory frameworks had been weakened sufficiently so that there was no way to intervene effectively.

The fragmentation of the state, both horizontally and vertically, also contributed to the inability to monitor and regulate effectively.[1] Part of the logic of governance for the past several decades has been to divide the public sector into numerous single-purpose organizations, but that logic also has tended to divide information and regulatory powers and has therefore limited government's capacity to understand and regulate risk. In some cases that pattern persists, even after its apparent failures, and is being manifested in the creation of new regulatory organizations to address perceived failures by existing organizations.

Perhaps the most glaring governance failure during the period leading up to the economic crisis was the loss of memory and the willingness to allow ideology to blind governments to the real possibilities of economic failure coming from markets with inadequate supervision. The neoliberal project that was apparently so successful in promoting economic growth during the 1990s and the first part of the 21st century had permitted many political leaders to forget most of what they had learned about history.

1. Although not related per se to the macro-level failures of economic management, the failure of the Securities and Exchange Commission (SEC) in the United States to monitor Bernard Madoff's Ponzi scheme was indicative of these problems. The SEC had all the information needed to detect the fraud that was going on, but the information was held in a different division of the home office, and in different filing cabinets, and the picture was never brought together prior to the collapse of this financial pyramid.

Governing depends heavily upon information and ideas (Braun and Busch 1999), and if the ideas being used to manage the economy and society tend to obscure information rather than to help officials interpret it accurately, there will be governance failure.

Faced with these manifest failures of economic policy and governance, governments across the world must attempt not only to recover from the failures but also learn how to govern more effectively in the future. However, just as the economic crisis has occurred in different ways and to different degrees in different countries, so too the responses differ. These differences reflect a number of factors, but they can be understood as reflecting the interaction of national patterns of governance (see Painter and Peters 2010) with the real and perceived nature of the crisis in that country.[2] Thus, the political nature of the crisis may be very different in different countries, and some comparative analysis of these differences is crucial for understanding the nature of the economic disaster and learning from it.

To that end, this article explores a series of dichotomies about the management of the crisis. There are good reasons, theoretically and practically, to expect either side of the dichotomy to occur, and this has been borne out in real-world cases. This method is not dissimilar to the famous argument by Herbert Simon (1947) that most of the knowledge about public administration comes in the form of opposing prescriptions about ways to create good administration.[3] Likewise, Peters (1998) developed a series of dichotomies that could explain the choices required during administrative reform.

The dichotomies explored in this paper will, like those described above, be used for both description and explanation. They are means of examining the differences among countries as well as of understanding the difficulties of choice. In each case, there is some truth on both sides, and each alternative could, in the appropriate circumstances, be effective in coping with the governance crises created by the economic crisis. Thus the challenge is to decide which horn of each dilemma to select, and to understand what contingencies are associated with the likelihood of each to lead to success in responding to crisis. Further, although there may be good political reasons for a country to select one approach or another, that selection may still not be appropriate for the governance challenges being faced.

Perhaps most important in understanding the role of these dichotomies in govern-

2. These interactions can be subtle and complex. For example, national patterns of governance affect perceptions of the causes of the economic crisis as well as perceptions of possible remedies.
3. For example, classical organizational theory advises both a limited span of control and a limited number of hierarchical levels. Each of those adages has some validity, but pursuit of one almost inherently requires violation of the other.

ing is that there is no emergent common paradigm that can be readily accepted. During the past several years, New Public Management approached being a paradigm for public administration, albeit perhaps not for governance more generally. The market-based assumptions behind this approach now appear less viable than in the past, but there is no clear replacement either for that or for more traditional modes of governance. Approaches to governing that have been taken in reaction to the economic crisis reflect fundamental differences among countries.[4]

PATH DEPENDENCE: THE BASIC DICHOTOMY

The most basic question about governance responses to economic crises is whether the governments in question maintain their well-worn paths of governing or whether the crisis becomes a catalyst for change, perhaps fundamental change, in patterns of governance. In most instances, the response of governments to demands being placed on them is to do what they have always done. In the language of historical institutionalism (Krasner 1984; Thelen and Steinmo 1992), government decisions tend to be path dependent unless there is a "punctuation" in the equilibrium—a major disruption—that provides the basis for a new equilibrium and a new approach to governance.

The persistence of policies in the face of crisis is thus to be expected, but the persistence of governance patterns is perhaps even more predictable. Governance patterns are supported not only by ideas about the best ways to govern but also by institutions that reinforce the status quo and have employees and clients. Further, a crisis may not be the most felicitous time to begin to think about restructuring government and creating new procedures. That type of restructuring is itself disruptive, and attempting to implement institutional change in the midst of crisis may appear to be a recipe for confusion and failure. The crisis may highlight the need for such changes but also make them more difficult to implement. Institutional theory suggests that, given the institutionalization of roles and values, institutional change is rarely a matter of fine-tuning and incremental change but more often a distinct change of course (Baumgartner and Jones 2009). In addition, since policy tends to follow institutional arrangements, this will entail equally fundamental changes in policy.

On the other hand, crises may demand new approaches to governance problems,

4. Some of the evidence used in the remainder of the paper is derived from the Organization for Economic Co-operation and Development (OECD 2009). Differences among OECD countries, however, may be substantially less than those found across the whole range of countries in the world.

and hence may punctuate even a stable equilibrium. Indeed, a crisis may offer manifest evidence that the old patterns of governance were not effective and there is a need for new approaches to the policies in question. To some extent, the presence of the crisis will reveal the need for change, but it may also be an opportunity for people in government to make changes that would not be possible without the crisis. These opportunities are usually seen in terms of specific policy proposals, but they can also be seen in the creation of governance strategies.[5]

Crises and their management have a potential to trigger power battles within government, or to serve as pretexts for latent conflicts to surface. When the financial crisis hit Korea, it led to a concentration of government power within the Ministry of Finance, a control that ministry has continued to maintain. The centralization of control was justified as necessary to resolve the crisis, but the patterns of control that emerged during the crisis were quickly institutionalized.

The economic crisis provides evidence that can substantiate either approach to path dependence in government. On the one hand, countries such as Germany and France have maintained or perhaps even intensified their approaches to governing. For example, the French government has to some extent enhanced its fundamentally statist approach to governing. Interestingly, the Irish government, which had experienced substantial success with its own version of liberalism as a "Celtic tiger," seemed to persist in that approach to governing and encountered substantial economic and governance losses rather than alter it.

The United States is perhaps the clearest example of a country that broke markedly with its traditional pattern of governance as a result of the economic crisis. Even the conservative administration of George W. Bush intervened in the economy in ways that might have been unimaginable before the crisis. The Barack Obama administration followed those interventions with even greater levels of intervention, and with a generally more activist approach to governing than had been seen for decades.[6] The numerous claims from the political right about socialism coming to Washington are indicative of the shifts that have been occurring in American government in response to the economic crisis.

Public administration is in many ways the epitome of path dependency in govern-

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5. In an extreme example, the U.S. government's ability to create a more integrated intelligence system was enhanced by the September 11, 2001 crisis. The creation of an "intelligence czar" will certainly not solve all intelligence coordination problems, but it may well facilitate the exchange of information.
6. Perhaps the only really comparable episode in the United States was the establishment of the New Deal during the Great Depression of the 1930s (see Calmes and Zelenes 2008).

ment; historically speaking, there has probably been more institutional change in other branches of government than in the public bureaucracy. This pattern was altered during the heyday of New Public Management reform, not least in the creation of executive agencies in many countries (Pollitt and Talbot 2003). While much of that reform campaign was institutionalized when the financial crisis hit these countries, it is fair to say that the public bureaucracies had learned to manage a new set of contingencies and were less rigid in their approaches when the crisis emerged. Few public bureaucracies have played a key role in developing policies and programs to address the crisis. Instead, they have been among the primary victims of that crisis, seeing their budgets dramatically reduced.

CENTRALIZATION AND DECENTRALIZATION

One of the other major shifts in governing that has occurred, and continues to occur, in a number of countries has been a movement between centralization and decentralization. This has indeed been one of the classic dichotomies in the study of public administration and governance. Since there have been governments, there have been movements back and forth between centralized governance and attempts to shift responsibility and resources to lower levels of government. The uniformity and control produced by centralization continue to be contrasted with the local adaptation of service, mobilization of local resources, and popular involvement that are associated with decentralization.

Centralization and decentralization are thus two alternative institutional arrangements, both of which are conducive to some types of policy goals while they prevent others (Weaver and Rockman 1993). The pendulum movement between these two institutional models is to some extent caused by the frustration which each presents to policy makers and bureaucrats. Centralized governance allows for uniformity and equal standards but poses a distinct organizational and financial burden on central government. Decentralized governance allows government to redistribute organizational and financial responsibilities, but it also deprives central institutions of control.

The last twenty years have in general been a period of substantial decentralization, as the ideas of New Public Management as well as those of participatory reforms have tended to move power out of the center of government. There have been strong political motivations for these reforms, stressing local autonomy and democracy. In part reactions against overcentralized regimes in Eastern Europe and Latin America, they have made decentralization a powerful political argument. Likewise the ideas of New Public Management have emphasized greater competition among governments and

government organizations as a means of enhancing efficiency.

In the face of the general tendency toward decentralization, the economic crisis of the past several years might be thought to create pressure for a return to centralization. When there is a major economic crisis, or indeed a crisis of any sort, a common response has been to emphasize the need of central governmental actors to exert control over policy and to attempt to impose their priorities (Boin, McConnell and t' Hart 2008). Any priority setting in government tends to be centralizing (Wildavsky, 1984, 186-7), and it might therefore be expected that a common reaction to economic crisis would be moving substantial powers into the center of government.

On the other hand, managing crisis also requires gaining consensus or at least acquiescence across the society, and decentralization may be a useful strategy for producing legitimacy for the proposed changes. If governments have to undertake a range of novel and perhaps extreme policy initiatives, then they may be well advised to involve stakeholders and the general public to the greatest extent possible. Likewise, it may make sense to involve as many actors within the public sector as possible. To make the difficult decisions that have to be made in times of crisis, collaboration within government is needed. Both institutional arrangements present policy makers with costs and benefits.

Again, there is ample evidence on both sides of this dichotomy. For example, the United Kingdom, which has a tendency toward centralization in politics, has moved substantially in the direction of centralized control during the economic crisis. Likewise, Finland, which has had a more consensual system of governing, has also undergone a degree of centralization in managing the economic crisis. On the other hand, Sweden has maintained and even intensified its tradition of involving social actors and making collective decisions. At the extreme end of this approach, Slovenia developed a complex set of coordinating committees to ensure consensus within government.

POLITICIZATION

Governing is almost inherently political, but there are differences in the extent to which government actors emphasize their political commitments versus their reliance on the permanent bureaucracy or other sources of expertise. Some political systems, such as that of the United States (Light 1995), have tended to rely upon political appointments for leadership, and although those appointees may have substantial policy expertise, they still represent politicization in any meaning of that concept. Others countries have tended to rely more on expertise within government itself or on formalized methods for involving expertise in public decision making. Although there has

been a general movement toward higher levels of political control over the bureaucracy (Peters and Pierre 2004), marked differences remain across countries.

In crisis decision making, there are reasons to expect either type of behavior in the current economic crisis. On the one hand, when governments have to make difficult decisions on which their political success is likely to depend, they may want to rely upon the advice and implementation of their own adherents rather than on neutral civil servants. The desire for commitment on the part of participants in the political process is not uncommon even in ordinary circumstances (Peters and Pierre 2004), and that is likely to be exaggerated in times of significant stress. Perhaps most importantly, members of the public may expect their political leaders to make the crucial decisions when there is a major crisis.[7]

On the other hand, government leaders often attempt to avoid blame for potential policy failures (Hood 2010) and therefore rely more on the permanent bureaucracy for advice. This governance strategy provides the leaders with plausible deniability for any failures that may occur. In addition, a less strategic and political reason for relying on the expertise of bureaucrats is that these are often the most expert sources of economic advice available. Therefore, in times of crisis, it makes great sense for political leaders to delegate responsibility to permanent officials and to hope that their expertise can alleviate, or at least ameliorate, the problems being faced by the society.

Even if crises do not lead to reliance on the public bureaucracy, they may lead to a somewhat less overt form of depoliticization. One way of reducing political responsibility for policy making in a crisis is to create or to emphasize a coalition among the major political parties. While this is a political solution in a way, it also diffuses responsibility and makes the "blame game" more difficult to play. Further, parties that resist involvement in crisis management run the risk of being considered irresponsible, uncooperative, or even unpatriotic. Such political cooperation is almost always short-lived as the usual competitive pressures, as well as real differences about policy, intervene.

Again, there is ample evidence on both sides of this dichotomy. On the one hand, governments in the United States and the United Kingdom embarked on a highly politicized approach to managing the economic crisis. In both countries, the chief executives (and in the case of the United States, two chief executives) were extremely visible and took primary responsibility for managing the economy. On the other hand, countries such as Japan and Italy relied more heavily on their bureaucracies and the reserve bank to manage the problem, although the chief executives clearly could not avoid responsibility entirely.

7. For example, President George W. Bush was chastised vigorously for not being more involved in the management of the Hurricane Katrina crisis.

COORDINATION AND COHERENCE

Another question about the response of governments to the economic crisis is how much emphasis they have placed on coordination and coherence in governing. Coordination is always a problem in the public sector, given the multiple demands on government and the difficulties in getting numerous large and complex organizations to work together. This underlying problem can be exacerbated by the demands of an economic crisis. Different political systems cope with the problem of coordination based on different institutional setups and policy orientations.

There may be good reasons to expect that governments will respond to an economic crisis with increased coordination. A response can be managed more effectively if all the relevant actors within the public sector, and the private sector, are working together. Further, governing in a more coordinated and coherent manner is likely to produce more efficient and less costly governance and bring together the multiple factors needed to make the response to the crisis successful.

On the other hand, in times of crisis ministries and other organizations within the public sector might be motivated to attempt to defend their own "turf," perhaps especially their budgets. Cooperation can be seen as a threat to survival or success for organizations at the best of times, and this threat may be exaggerated in times of crisis. Organizations may also sincerely believe that they are more capable of addressing the crisis on their own than would be possible under a more coordinated approach. The development of coordinated strategies for dealing with a major crisis takes time, while existing organizations have programs and strategies already in place.

Countries have reacting to the current economic crisis in both ways. For example, U.S. economic strategy has become increasingly coordinated under the leadership of the Federal Reserve (the central banking system). There is an elaborate set of organizations for making and implementing economic policy in the United States, but the need for coherent public action has tended to create one clear leadership structure. On the other hand, the *Ressortsprinzip* in German government has tended to maintain the relative powers of the ministries, even in the face of a strong chancellery attempting to coordinate them (Fleischer 2010).[8] Similarly, Sweden's integrated governance can be contrasted with greater autonomy of organizations within the Danish government.

8. Ressortsprinzip is the constitutional principle in German government that a minister is responsible for all the actions taken in his ministry, and therefore can resist interference from outside. In other words, each minister and ministry has a great deal of autonomy.

TIME PERSPECTIVE

A final dichotomy concerning governance reactions to the contemporary economic crisis is their time perspective. The present economic crisis did not materialize overnight, but many governments appear to want to solve it overnight. This reaction is understandable for political reasons, given that people tend to focus on economic success and failure when judging the performance of their government.

On the one hand, governments might well be expected to focus on creating short-term responses to the crisis. Politically, the motivation for quick solutions, even if they are not the best solutions, is extremely powerful. Citizens (voters) are suffering during the crisis, and their condition must be improved as quickly as possible. In policy terms, there may also be reasons to respond quickly, given that long-term damage to the economy (or to any other policy area for that matter) may result if the government delays.

On the other side of this dichotomy is the fact that in the best of all worlds, governments would always want to generate solutions that are viable for the long run and that represent careful consideration of the problem. Unfortunately, however, crises tend to drive out planning and consideration of more fundamental solutions in favor of "quick fixes." Any number of politicians have argued that their governments were attempting to prevent the next crisis, as well as to ameliorate the problems created by the current one, but it is less clear that many of them have adopted this more visionary approach.

Rahm Emanuel, President Obama's chief of staff, said famously that no crisis should go unused. Crises do provide governments with opportunities to undertake major reforms that might be impossible in more ordinary times. The current economic crisis may provide the opportunity to adopt innovative longer-term solutions to economic and social policy problems that might be unthinkable without the "policy window" presented by the crisis (see Kingdon and Thurber 2003). There is a danger, however, that a solution adopted in a crisis may not in reality be the optimal solution but merely something that was possible at the time.

Although most governance responses to the economic crisis are likely to be short-term, some longer-range approaches have emerged. For example, attempts to build more robust regulatory capacities have been discussed in a number of countries. As noted above, this strategy may actually further fragment the regulatory capacity of government, but it can also represent attempts to institutionalize enduring responses to economic crisis that may prevent similar crises from occurring in the future.

Despite those examples of a more farsighted approach to managing policy in response to the crisis, the majority of the responses have involved shorter-term fixes, and to some extent political fixes. This may be due in part to the difficulty and cost of institutionalizing longer-term governance solutions.

SUMMARY AND CONCLUSIONS

The current economic crisis is only the most recent example of social, financial, ecological and other major challenges to the political system. This external stimulus, like those before it and those which will follow, has provoked a wide range of responses. There has been no common response to this crisis. Countries that might have been expected to behave in certain ways did not do so. Responses to the crisis have reflected a wide range of conceptions of how to manage government, all of which have the possibility of success depending upon the circumstances.

Several important questions arise when applying a broad, comparative perspective to the financial crisis and political responses to it. One such question is to what extent there is any cross-national pattern of differences in terms of the depth of the crisis and the political responses to it. Intriguing as this issue might be, addressing it is beyond the scope of a single article.

The responses to the economic crisis across the range of industrialized countries make it clear that no new paradigm for governance has emerged as a result of the crisis. This absence of a paradigm appears to have several reasons. First, the crisis has been perceived differently in different settings, and indeed was objectively very different in countries such as Germany or Sweden than, for example, in the United States.

Second, the different starting points for the different regimes meant that the policy and governance options available to them were very different, as were the demands placed upon them. For example, France and Germany began the crisis period with greater public sector involvement than did the Anglo-American democracies and therefore had a somewhat easier time initially in addressing the economic issues.

Third, as mentioned earlier, crises may be opportunities to do things which perhaps are not possible under more normal circumstances. Developing a new paradigm requires new ideas, however, and those appear to be in rather short supply. There have been some innovations in economic policy, especially when viewed in the context of established patterns of policy, but no common ideas about how best to govern. The profound failure of the market has tended to undermine confidence in approaches, such as New Public Management, that depend upon the market, but as yet there seems to be no clear alternative.

Governance has always been difficult and dependent upon judgment, and the current crisis makes it all the more difficult. There seems to be a pattern among the industrialized democracies of resorting to previously used economic policies and regulatory strategies to address the crisis. For instance, countries like France and Germany implemented stricter regulation more quickly than the Anglo-American countries. Thus, the pattern seems to be primarily that new policy ideas did not evolve during the crisis.

Instead, there were examples of almost the opposite strategy—bringing policy instruments that have not been used for some time back into practice.

The economic crisis is by no means over: a large number of countries reported significant negative growth during 2009; financial markets are still quite slow; and unemployment figures have not declined. The political management of the 2009 financial crisis did not bring about massive changes in governance, nationally or globally. Instead, the crisis uncovered problems in the widespread deregulatory practice of the 1980s and 1990s. Governance of the financial sector continues to be problematic for many governments. Too little regulation has proven potentially hazardous, while too much regulation may cause inertia in the financial system and reduce economic growth. The state continues to play an essential role in bailing out financial management companies and banks in times of crisis without being able to regulate and monitor their activities in less extreme times. The long-term consequences for governance of the 2009 crisis may include a tighter regulatory regime, but regulating the financial system is a complex process. The challenge to this type of governance remains truly significant.

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